



2019

# Annual Results Announcement

**SHANGHAI GENCH EDUCATION GROUP LIMITED**

**上海建橋教育集團有限公司**

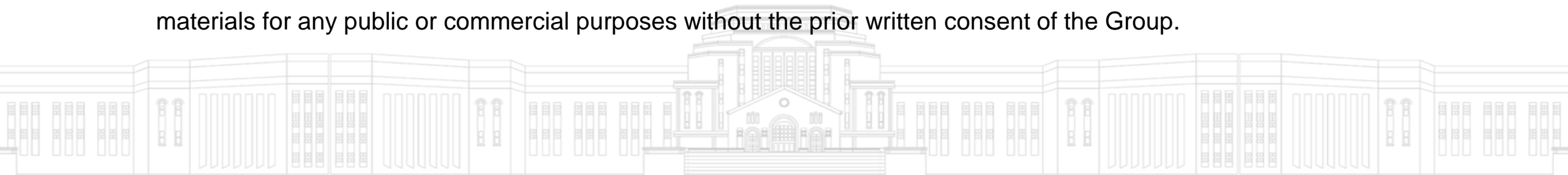
(Incorporated in the Cayman Islands with limited liability)

Stock code:1525

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上海建橋教育集團有限公司

SHANGHAI GENCH EDUCATION GROUP LIMITED

# 01 Company Overview

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# Company overview

上海建橋教育集團有限公司

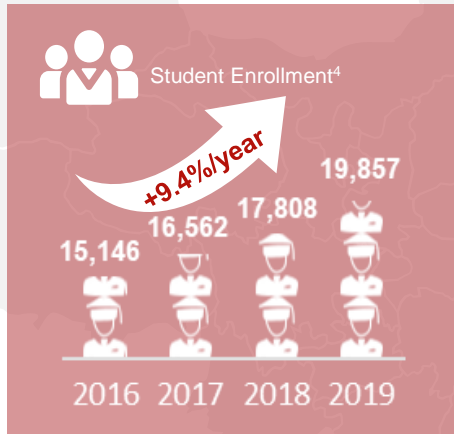
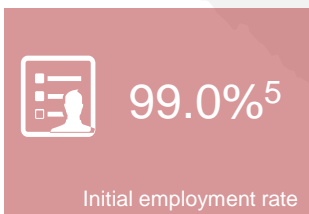
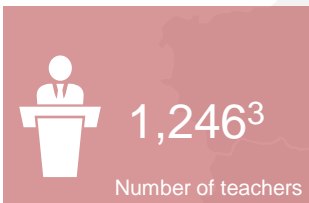
SHANGHAI GENCH EDUCATION GROUP LIMITED

- The Company operates Shanghai Jian Qiao University (the “University”), the largest private university in Shanghai<sup>1</sup> and the best private university in tier one cities in China<sup>2</sup>, with rapid growth

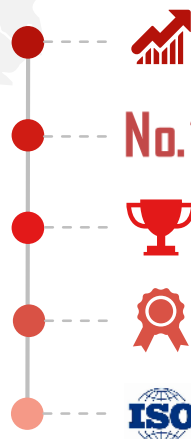


上海建橋學院

SHANGHAI JIAN QIAO UNIVERSITY



Shanghai



The fastest growing university in terms of full-time student enrollment among the top five largest in the Yangtze River Delta (2015-2018)

Ranked 1<sup>st</sup> among all private universities in tier one cities in terms of comprehensive strengths in 2018 (CUAA.net)

Top 10 Most Influential Private University in 2011 (Xinhua.net)

National Civilized Unit in 2015 and 2017 (First private undergraduate University awarded)

Certification of ISO 9001 by Shanghai Quality System Audit Center

54 undergraduate majors and concentrations<sup>3</sup>

13 junior college majors and concentrations<sup>3</sup>



## Key financials

	Revenue	Adj. EBITDA <sup>6</sup>	Adj. Net profit <sup>7</sup>	Average tuition
2018	RMB 425m ▲ 18.9%	RMB 238m ▲ 45.4%	RMB 117m ▲ 153.4%	RMB 20,533 ▲ 11.1%
2019	RMB 501m ▲ 18.1%	RMB 267m ▲ 12.2%	RMB 151m ▲ 29.3%	RMB 21,634 ▲ 5.4%

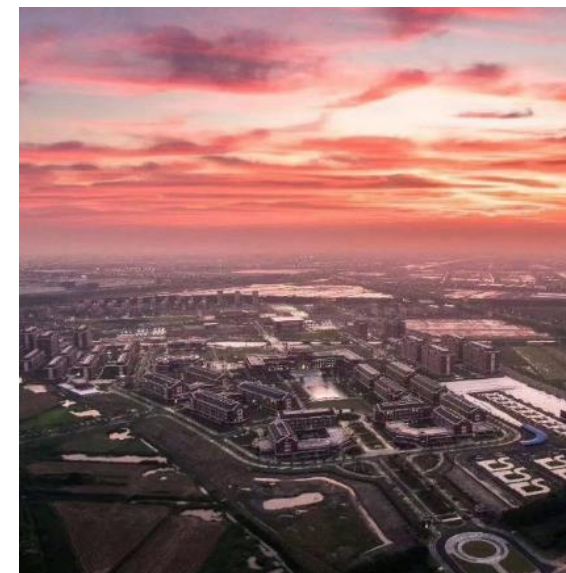
▲ Year-on-year growth

Notes: 1) In terms of full-time student enrollment in the 2019/20 school year; 2) Ranked 1st among all private universities in tier one cities in terms of comprehensive strengths in 2018 (CUAA.net); 3) As of Sep 30, 2019; 4) As of Sep 30 every year; 5) Graduates in 2019 (including undergraduate and junior college); 6) Adj. EBITDA=Profit before tax + finance cost + D&A + listing expenses; 7) adding back listing expenses

# Views of campus



Build bridges for students to achieve success,  
for teachers to fulfil their career goals,  
and for society to satisfy its need for educated talent.

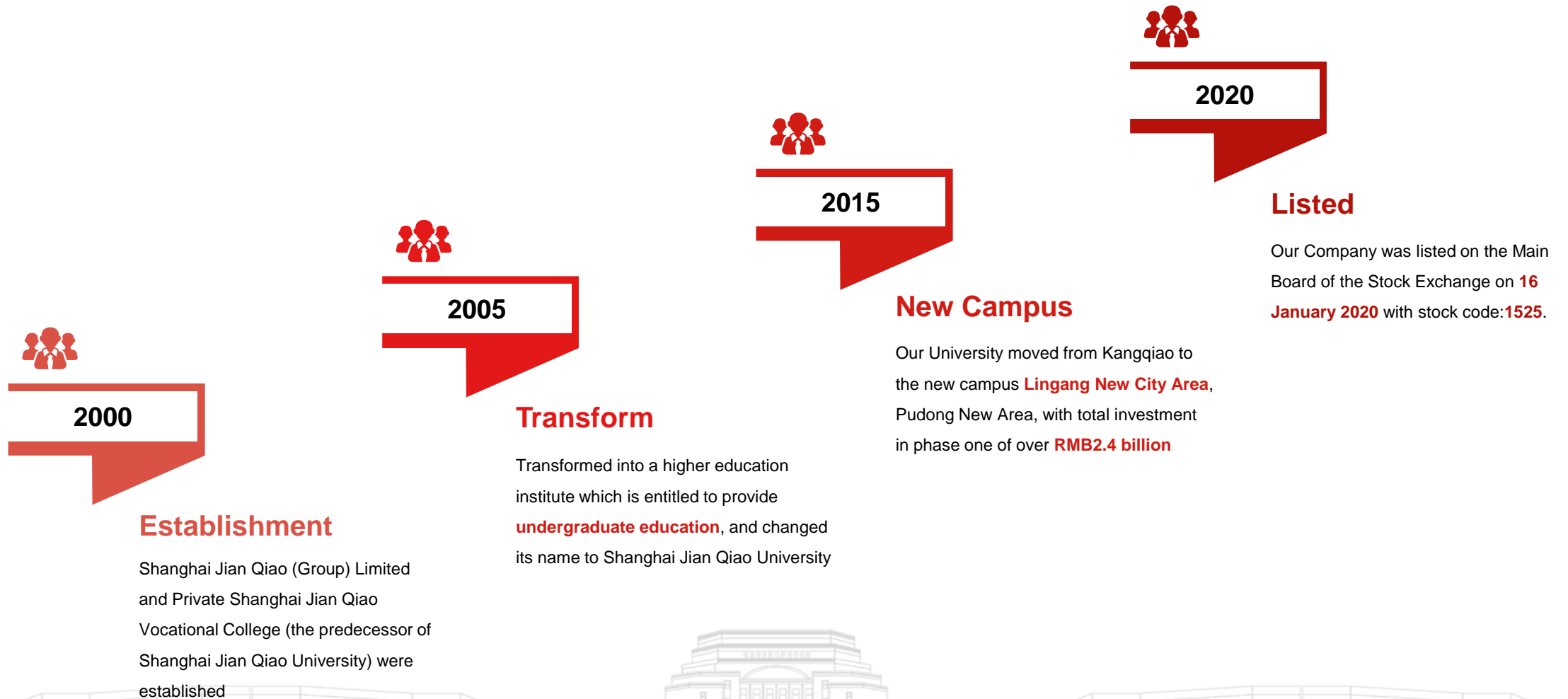


In September 2015, our University moved to the campus with a site area of approximately 532,587 sq.m. in the Lingang New City Area, Pudong New Area, Shanghai

# History of development

上海建橋教育集團有限公司

SHANGHAI GENCH EDUCATION GROUP LIMITED



• Source: Company Public information

# Investment Highlights

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# Company highlights

上海建橋教育集團有限公司  
SHANGHAI GENCH EDUCATION GROUP LIMITED



1



The largest private university in Shanghai<sup>1</sup> and the best private university in tier one cities in China

2



Well-positioned to benefit from expected increasing demand for private higher education in Shanghai

3



Extremely high initial employment rates as a result of our focus on providing students with market-oriented course offerings

4



Provide quality-oriented education aimed at promoting all-round education of our students

5



Have developed cooperative relationships with international institutions

6

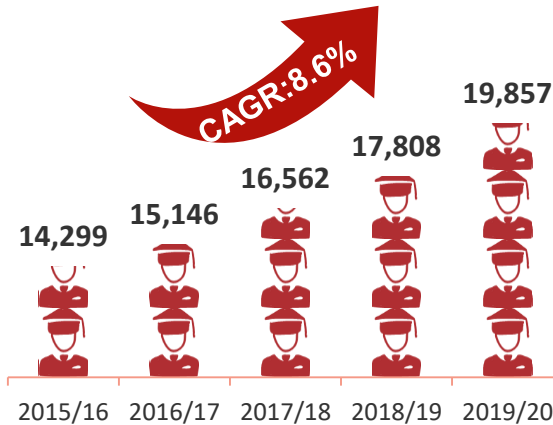


Experienced management team with proven track record, complemented by a highly qualified teaching team

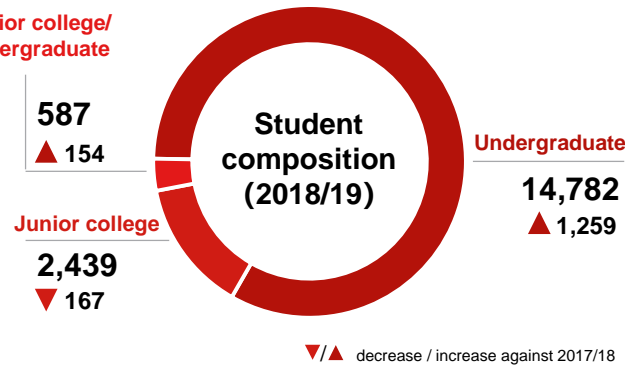
• Note: 1) Ranked 1st among all private universities in tier one cities in terms of comprehensive strengths in 2018 (CUAA.net);

# 1. The largest private university in Shanghai<sup>1</sup> and the best private university in tier one cities in China

Rapid growth in the number of students<sup>2</sup>



Growth mainly coming from undergraduates<sup>2</sup>



- Ranked first among all private universities in tier one cities  
— CUA.net, 2018
- Top 10 Reputable Private Higher University  
— Sina, 2012
- National Civilized Unit (the first private undergraduate university nationally awarded)  
— 2015&17
- Top 10 Most Influential Private University  
— Xinhua.net, 2011
- National Innovative Entrepreneurship Education Model School  
— Higher Education Professional Commission of China's Non-Government Education Association, 2016

Ranking of private universities in Shanghai

Ranking	School	Number of students (Thousand, 2018/19 school year)	Market share	Initial employment rate (2018)
1	<b>Our university</b>	<b>17.8</b>	<b>15.7%</b>	<b>99.0%</b>
2	University A	15.1	13.3%	97.7%
3	University B	9.2	8.1%	97.3%
4	University C	8.1	7.2%	98.9%
5	University D	7.0	6.2%	96.1%

Ranking of private universities in the Yangtze River Delta

Ranking	School	Number of students (Thousand, 2018/19 school year)	15-17 CAGR	Initial employment rate (2018)
1	University E	22.9	3.3%	90.2%
2	University F	21.3	4.2%	89.5%
3	University G	19.0	0.0%	96.8%
4	<b>Our university</b>	<b>17.8</b>	<b>7.6%</b>	<b>99.0%</b>
5	University H	17.1	4.9%	98.3%

• Note: 1) Ranked 1st among all private universities in tier one cities in terms of comprehensive strengths in 2018 (CUAA.net); 2) As of September 30 every year  
 • Source: Public information of the Company, Frost & Sullivan

## 2. Well-positioned to benefit from expected increasing demand for private higher education in Shanghai

上海建橋教育集團有限公司

SHANGHAI GENCH EDUCATION GROUP LIMITED

### Shanghai — leading private higher education market



Per capita disposable income<sup>1</sup>

Shanghai: 64,183

Nation: 28,228



GDP rank<sup>2</sup> **No.1**  
Economic and financial  
centre of China

GDP per capita  
exceeded **US\$20k<sup>3</sup>**



Attractiveness  
for student

Initial employment rate<sup>4</sup>

Shanghai: 96.9%

Nation: 78.4%

Admission mark

Higher in Shanghai<sup>5</sup>



More resources from  
quality teachers



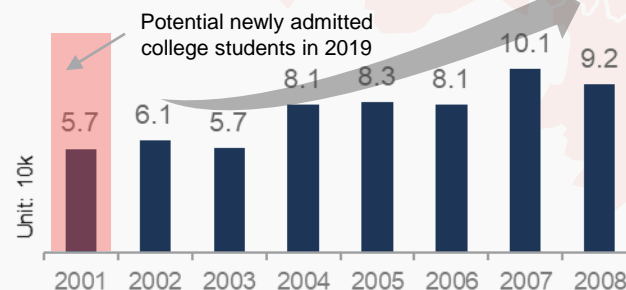
More chances for school-industry  
and international collaboration

CAGR of private  
higher education  
market in Shanghai  
(2014-2018)

11.2%

### Growing local college-age population

Number of births in Shanghai



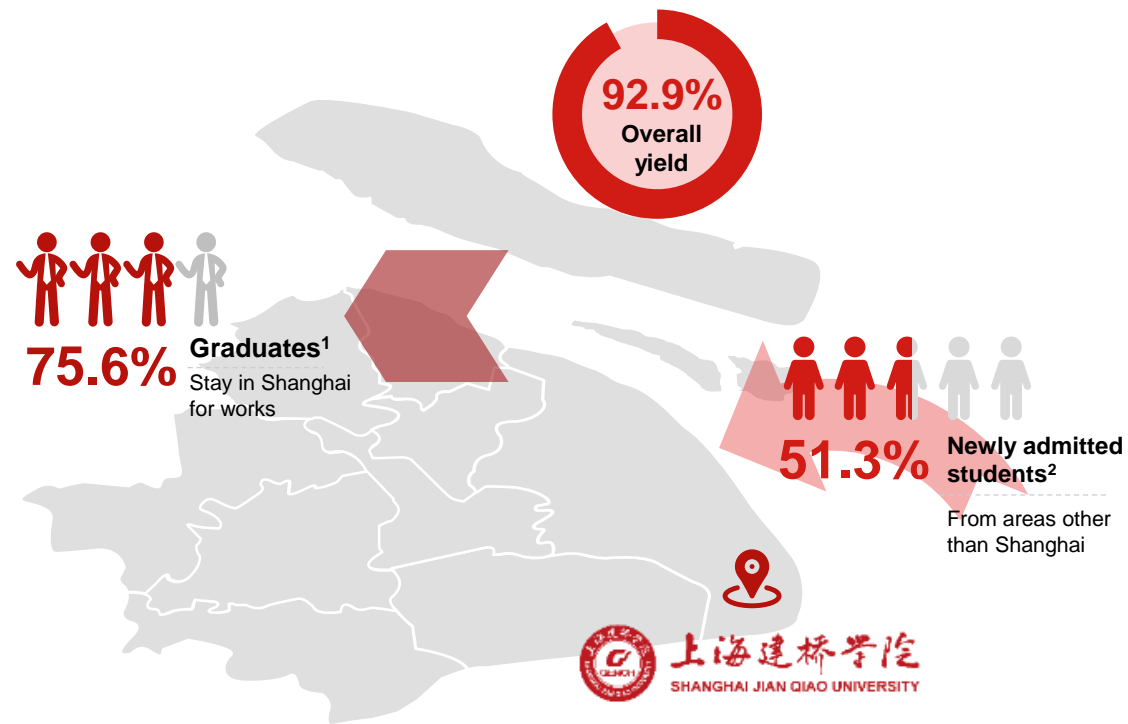
上海建橋學院

SHANGHAI JIAN QIAO UNIVERSITY

- Note: 1) All data refers to that of 2018; 2) Based on the ranking in terms of all provincial and municipal GDP announced by National Bureau of Statistics in 2017; 3) Based on national data from National Bureau of Statistics and full-year average of exchange rate announced by PBOC; 4) Graduates in 2017; 5) Comparison with higher institutions of the same level
- Source: Public information of the Company, Frost & Sullivan, National Bureau of Statistics, Shanghai Statistical Yearbook

## 2. Well-positioned to benefit from expected increasing demand for private higher education in Shanghai(cont'd)

Attract overseas students and assist our students for employment in Shanghai



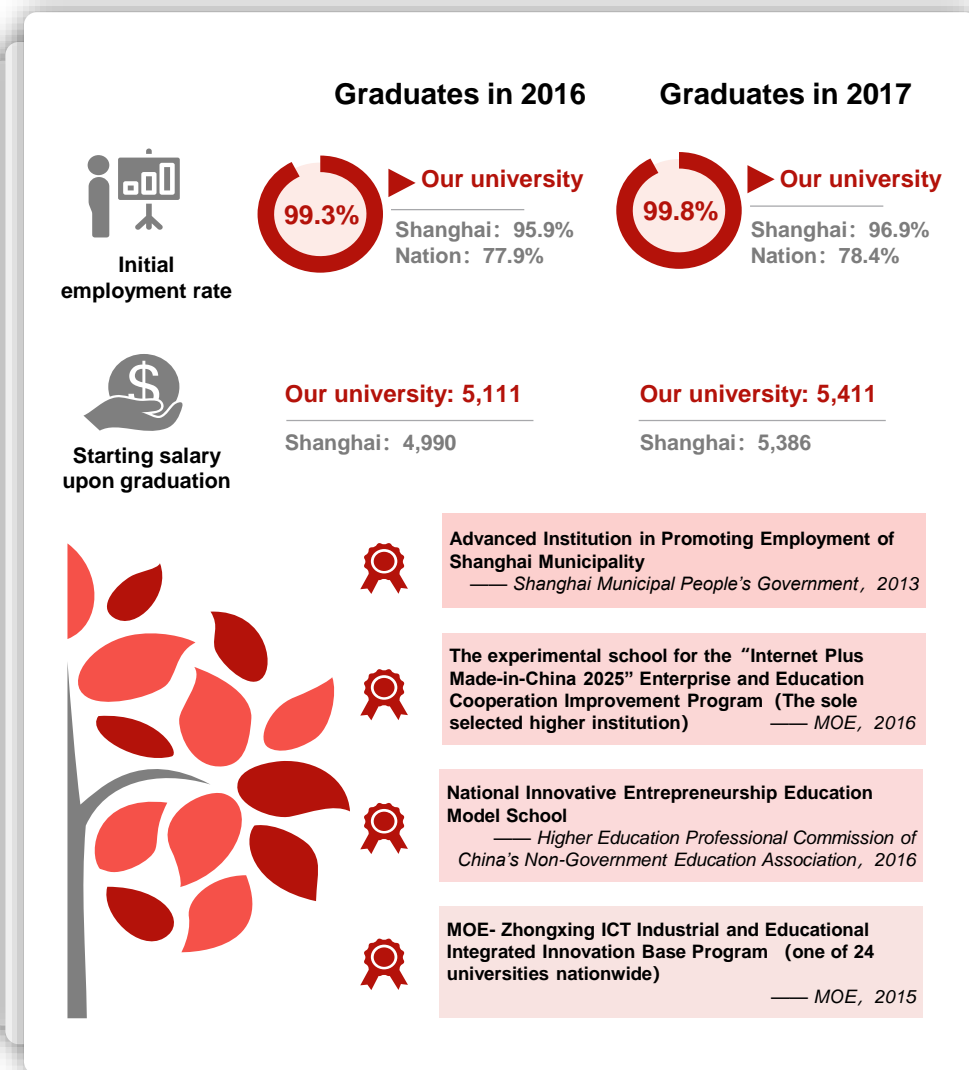
Located in the Lingang New City Area, Pudong with development potentials



“ *Lingang New City Area:* A modern new town featuring openness and innovation, intelligent ecology, integrated urban and industrial development, and a friendly living and working environment. ”

- Note: 1) Graduates of 2018; 2) Newly admitted students of the 2019/20 school year;
- Source: Public information of the Company

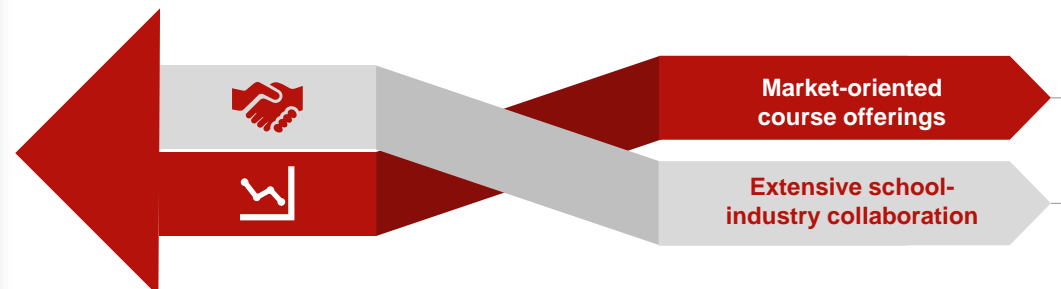
### 3. Extremely high initial employment rates as a result of our focus on providing students with market-oriented course offerings



Allocate resources for development of practical majors and projects to closely meet the market needs

**Airline services, mechanical design, manufacturing, and automation** (collaborated with Vaughn College of Aeronautics and Technology)  
Shanghai is aviation hub in east China, and becomes the research and development center for domestic-made commercial airliners

**College of gemology** (employment rate of 100% in 2018 and 2019)  
Shortage of talents in jewelry industry cannot meet the growing market; Shanghai is the consumption center for jewelry



Around **111** School-industry collaboration programs



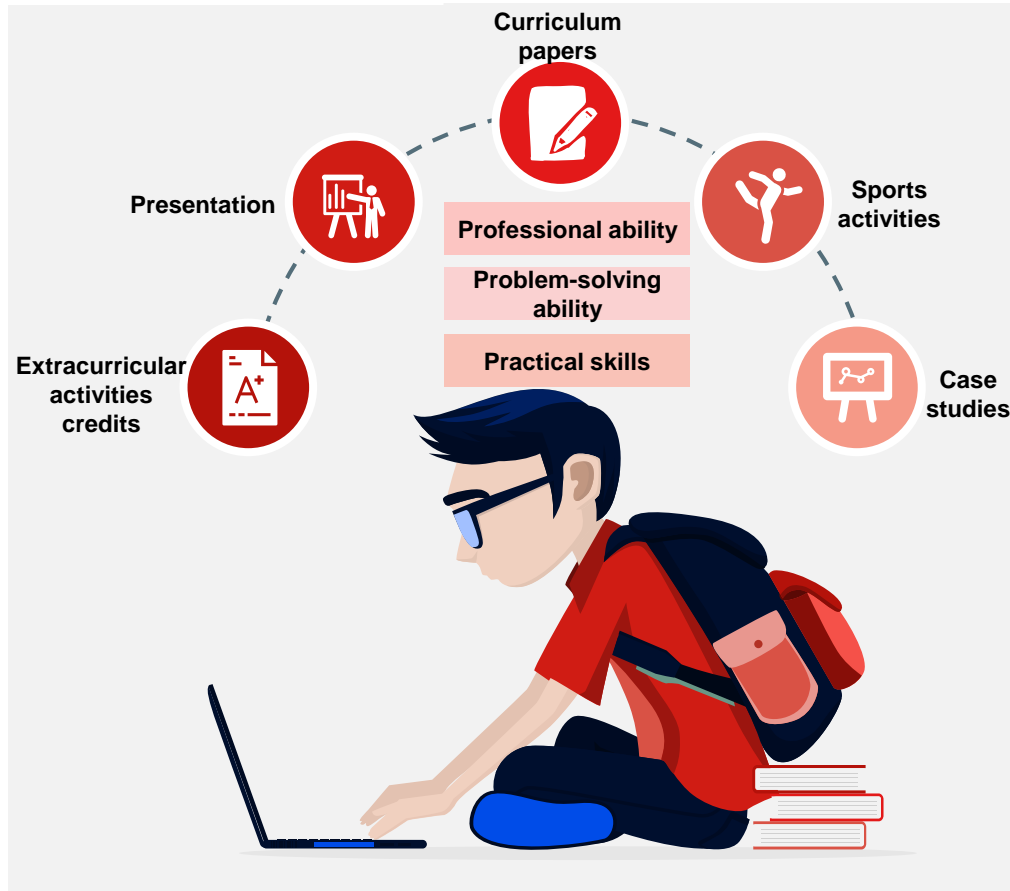
**Industrial and educational integrated innovation bases**  
Information communication, industrial robots, industrial network

**Employer-tailored programs**  
Internship opportunities, tailored curriculums

School-industry collaboration enables students to gain practical and professional skills, as well as knowing to the prospect of industry

• Source: Public information of the Company, Frost & Sullivan

## 4. Provide quality-oriented education aimed at promoting all-round education of our students

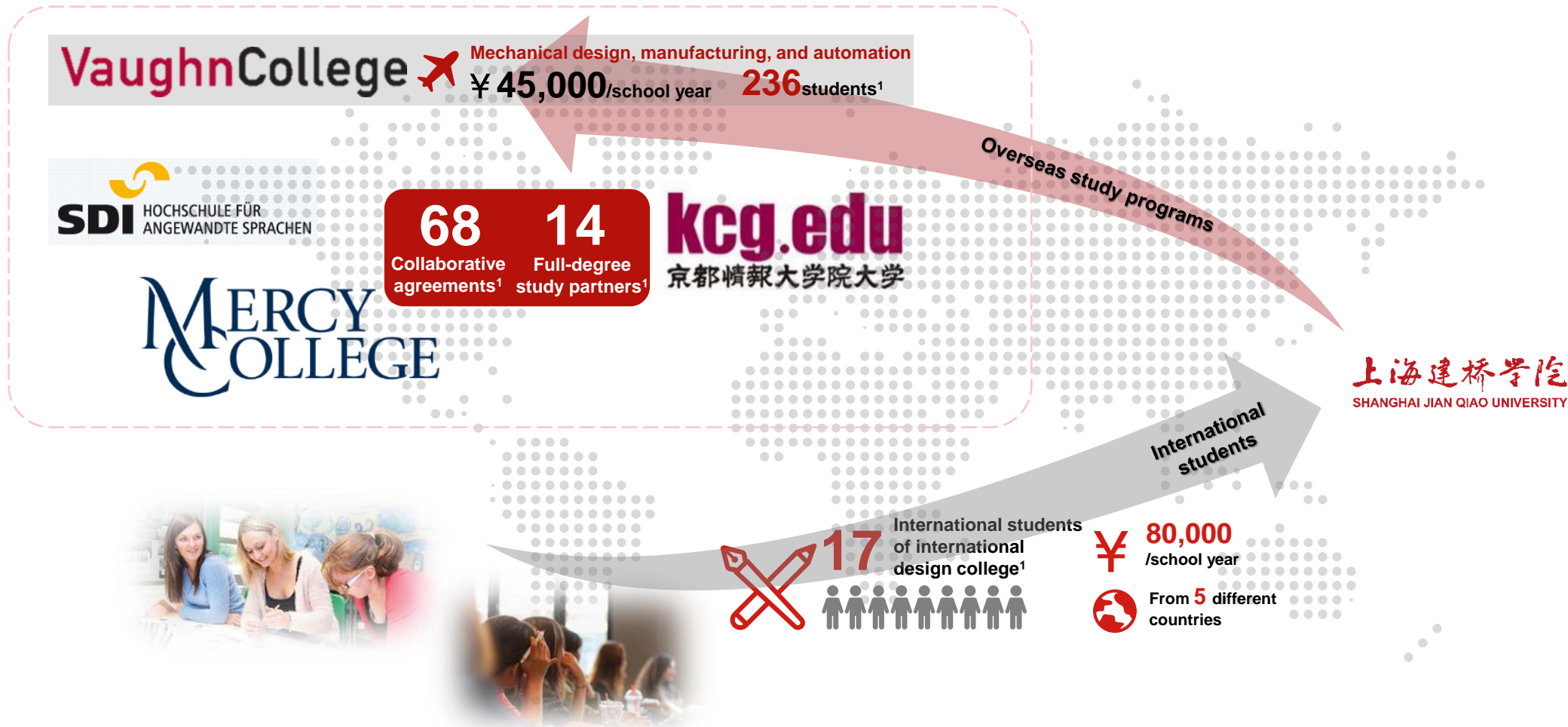


### Achievement by our students

-  4 third prizes and 1 second prize at the China College Students' Entrepreneurship Competition Shanghai contest
-  4 third prizes, 1 second prize, 1 first prize at "The Challenge Cup" academic science and technology competition Shanghai contest
-  Won the "11th China Young Volunteers Outstanding Organization Award" in 2016
-  Winners for 25 national fencing competitions
-  Champion of 2017 Shanghai university men's basketball league
-  First prize at the "Guangyi" Cup Diamond Grading National Competition
-  First/second prize at the sixth and seventh University Student Mechanical Engineering Innovation Competition of Shanghai
-  Individual award at the Shanghai Yulong Jewelry and Jewellery Design Competition
-  Group Champion at Shanghai University Go tournament



## 5. Have developed cooperative relationships with international institutions



- Note: 1) As of September 30, 2019
- Source: Public information of the Company

## 6. Experienced management team with proven track record, complemented by a highly qualified teaching team

- Adhere to the management philosophies of being managed by experts and taught by professors



**Mr. Zhou Xingzeng**  
Chairman & founder

- Over 28 years of experience in education
- Vice president of the China Association for Non- Government Education
- A deputy of Shanghai Municipal People's Congress (since 2003)
- Vice chairman of Shanghai Committee of The China Democratic League (2007-2017)
- 🏆 Distinguished builder of Socialism with Chinese Characteristics (2009)
- 🏆 Shanghai Top Ten Influential Young Individuals to the Economy (2004)
- 🏆 Star Philanthropist in Shanghai (2006)



**Prof. Zhu Ruiting**  
Principal of the University

- Joined the Shanghai Jian Qiao University in 2003, with over 20 years of experience in education and research
- Bachelor's degree from Hangzhou University, master's degree from Shanghai Academy of Social Science and doctoral degree from University of Marburg, Germany
- Vice chairman of Expert Committee for China Association of Trade in Services
- A standing director of Eighth council of the China Economics Association
- A member of the CPPCC (since 2017)
- 🏆 Shanghai Cultivate Talent Award (2004, 2009)



**Zheng Xiangzhan**  
Executive director, CEO

- Graduated from Shanxi University, with a master's degree in management
- Over 19 years of experience in education
- A deputy of Shanghai Pudong New Area Municipal People's Congress (2009-2017)



**Shi Yinjie**  
Executive director

- Completed the senior management MBA core courses in Fudan University
- Over 19 years of experience in education



**Wan Zhifang**  
CFO, deputy CEO

- Master's degree in accounting from Fudan University , EMBA from Shanghai Jiao Tong University
- Over 20 years of experience in financial management
- A senior accountant



**Wang Bangyong**  
Deputy CEO

- An undergraduate and obtained a master's degree from Fudan University, studying at East China Normal University for a doctoral degree in education leadership and management
- Shanghai May Fourth Youth Medal (2017)



**Zhou Qiaoqi**  
Chief investment officer

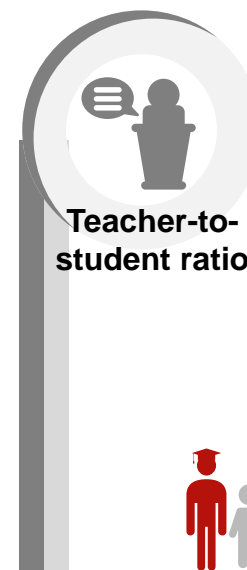
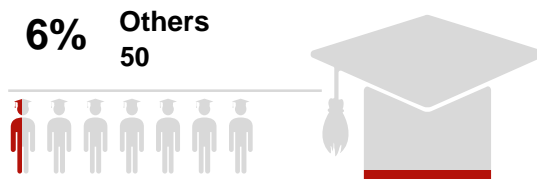
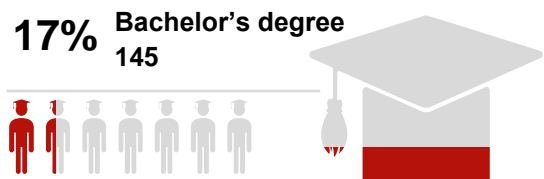
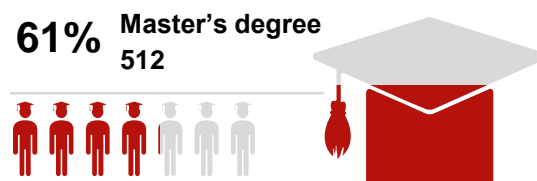
- An undergraduate from Fudan University, a master's degree in science in mathematical finance and MBA from the University of Southern California
- CFA
- A member of Shanghai Youth Entrepreneurs Association (since 2018)



## 6. Experienced management team with proven track record, complemented by a highly qualified teaching team (cont'd)

- Adhere to the management philosophies of being managed by experts and taught by professors

**841** full-time teachers    **405** part-time teachers<sup>1</sup>



Teacher-to-student ratio

2019/2020 school year

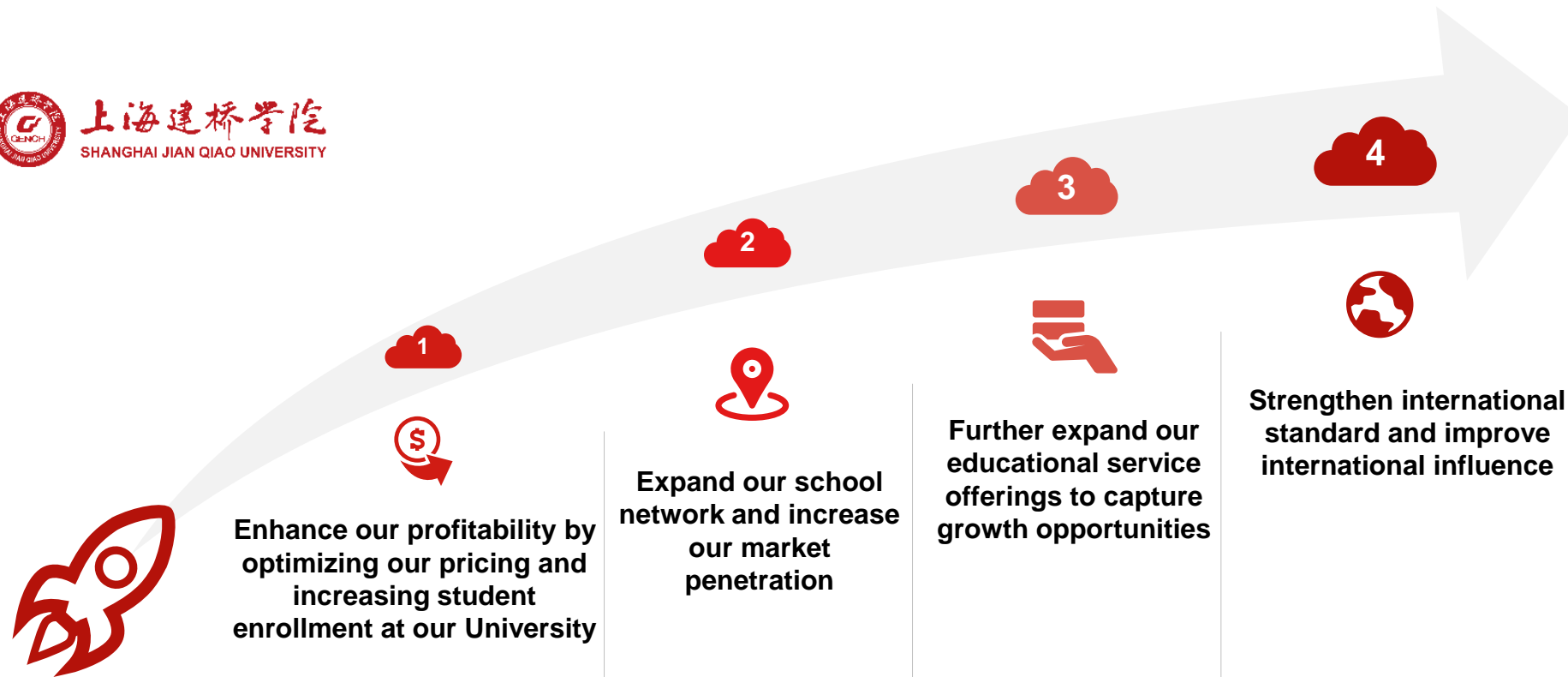
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Note: 1) Data of teachers refers to data as of September 30, 2019;  
Source: Public information

# Development Strategies

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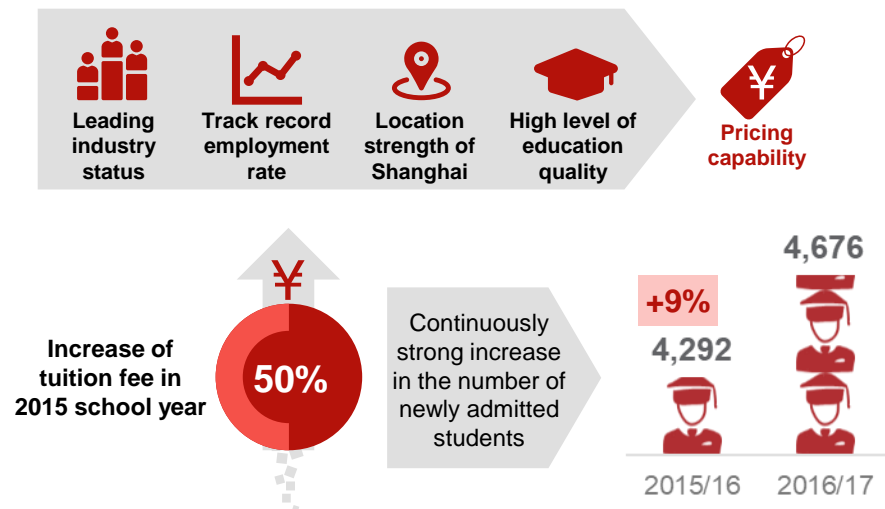


# 1. Enhance our profitability by optimizing our pricing and increasing student enrollment at our University

## ¥ Pricing optimization

## Capacity increase

### Profitability





Phase two of campus construction was put to use in 2019/20 school year

+ Gross floor area of approximately **60,076 m<sup>2</sup>**  
Approximately **4,000** beds



Phase two mainly includes:

-  Dormitory buildings, ancillary dormitory building
-  Multi-function building (tailored for college of gemology)

 Site area of University area	Approximately 532,578 sq.m
Floor area (phase two inclusive)	Approximately 424,255 <sup>1</sup> sq.m

Larger space pending for use

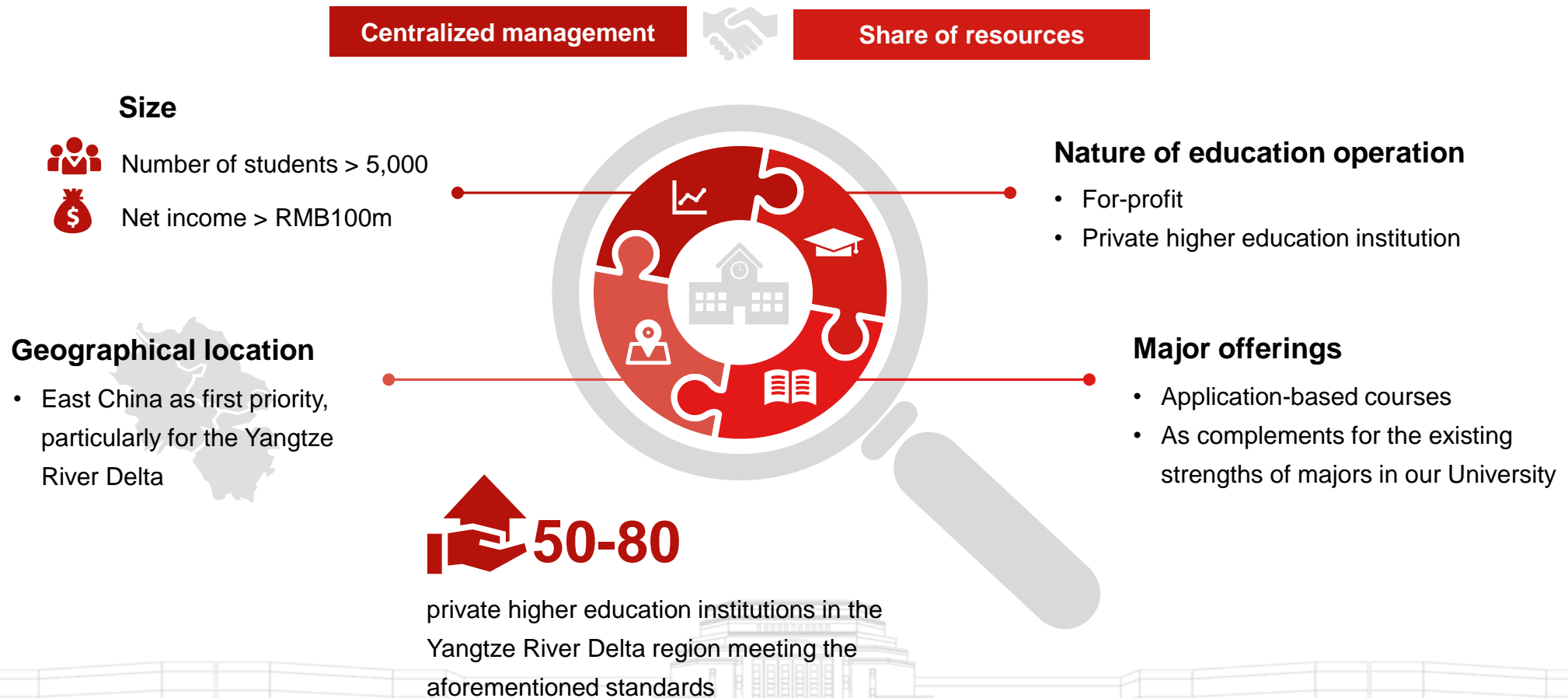
➤ No adjustment on tuition fee from 2016 to 2018 school year, which has **accumulated larger room for adjustment**

➤ Tuition rates of **one-fourth** of the undergraduate majors and concentrations increased from **RMB23,000 to RMB30,000** in the 2019/20 school year

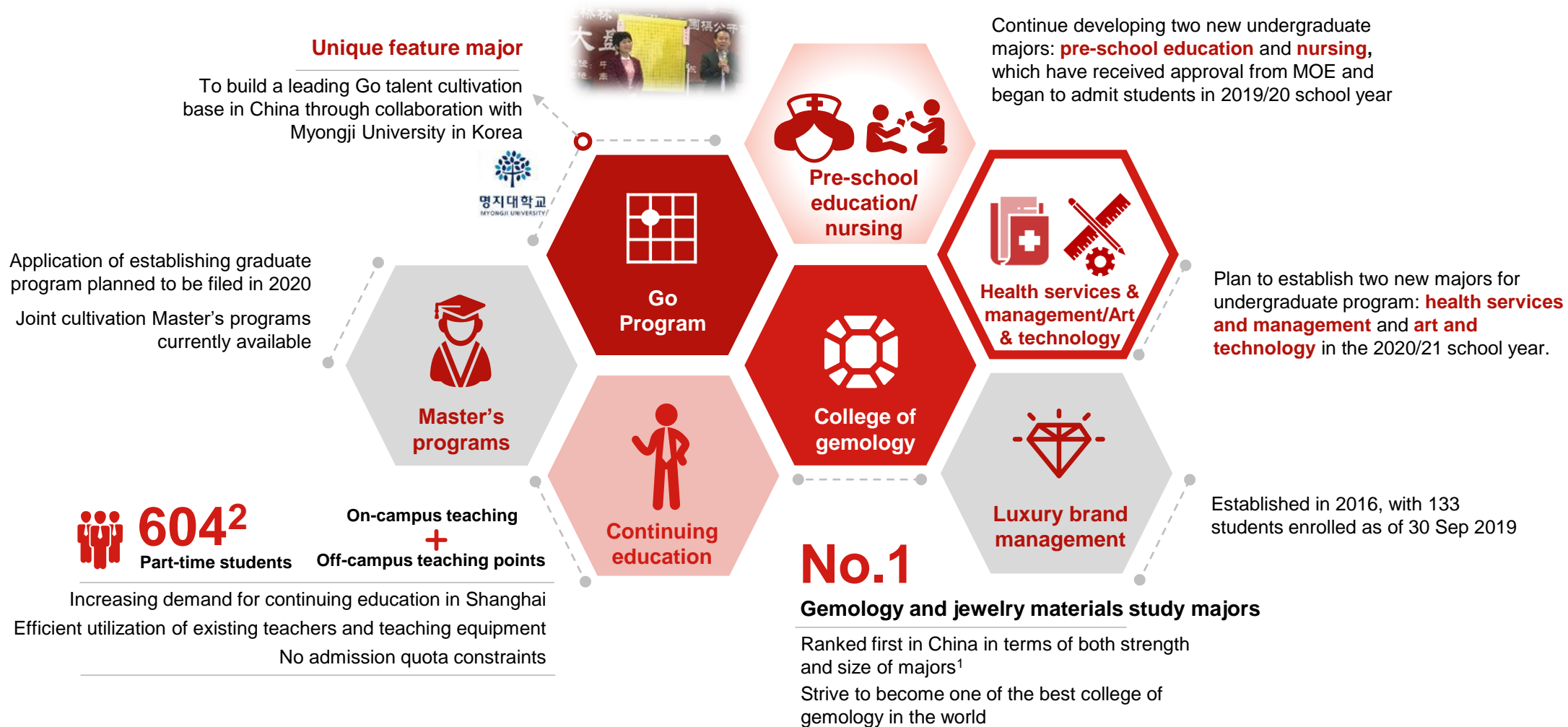
• Note: 1) Including 50 education buildings with a total gross floor area of 359,192.06 sq.m completed in 2016, four buildings in the process of obtaining the building ownership certificate with a total planned gross floor area of approximately 60,076.38 sq.m, and a student activity center with a gross floor area of approximately 4,987 sq.m for which the building ownership certificate has not been obtained yet  
• Source: Public information of the Company

## 2. Expand our school network to increase market penetration

- We will pursue suitable opportunities to acquire or invest in domestic schools, in order to expand business network and increase our market share



### 3. Capture development opportunities by expanding program and service offerings



• Note: 1) Ranking for majors is based on statistics of Frost & Sullivan, and ranking for size is based on statistics of full-time student enrollment as of September 30, 2019; 2) As of Sep 30, 2019  
• Source: Public information of the Company

## 4. Strengthen international standard and improve international influence



### Launch Sino-foreign cooperation projects

- Make full utilization of Shanghai's international status to provide students with more international projects
- Strengthen the University's reputation and enhance its overall quality and appeals
- Optimize professional positioning



### Expand overseas networks

- Consider merger and acquisition of target schools
- Increase the overseas study destination selections for students
- Attract overseas students to study at the University



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SHANGHAI GENCH EDUCATION GROUP LIMITED

# 04 Financial Performance

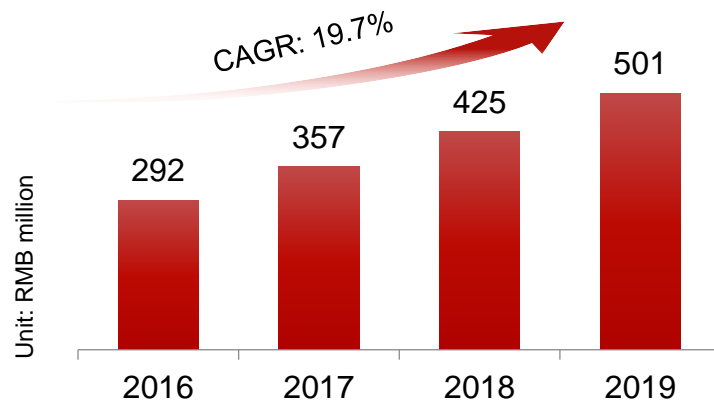
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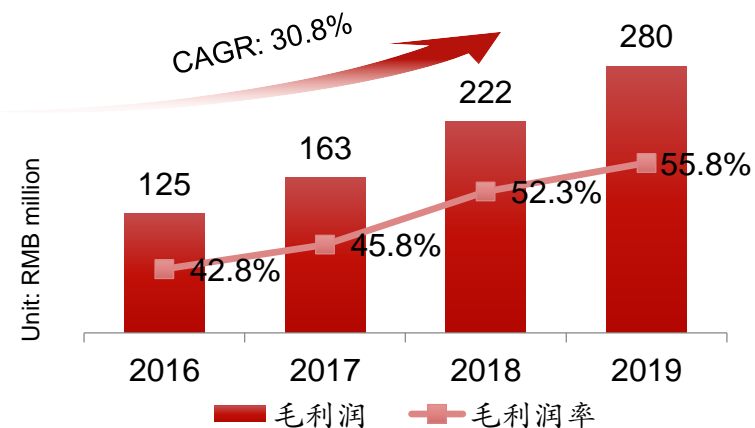
<b>Unit: hundred million RMB</b>	<b>FY2019</b>	<b>FY2018</b>	<b>Change(%)</b>
Revenue	5.01	4.25	+18.1%
Cost of sales	(2.22)	(2.02)	+9.5%
Gross profit	2.80	2.22	+26.0%
<i>Gross profit margin</i>	55.8%	52.3%	
Profit for the year	1.25	1.09	+15.5%
<i>Net profit margin</i>	25.0%	25.6%	
Adjusted net profit for the year	1.51	1.17	+29.3%
<i>Adjusted net profit margin</i>	30.1%	27.5%	

# Increasing profitability

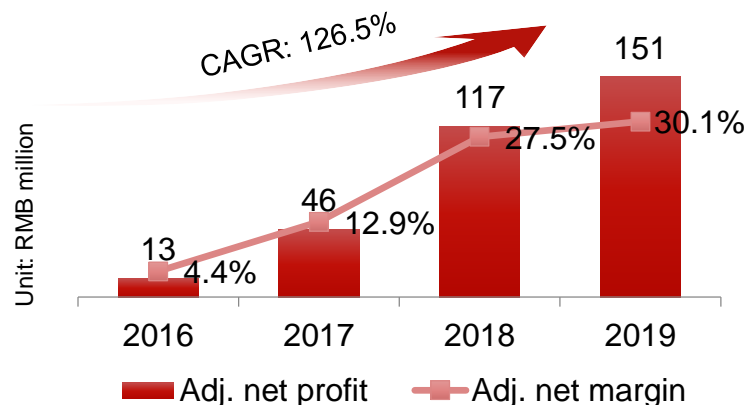
## Revenue



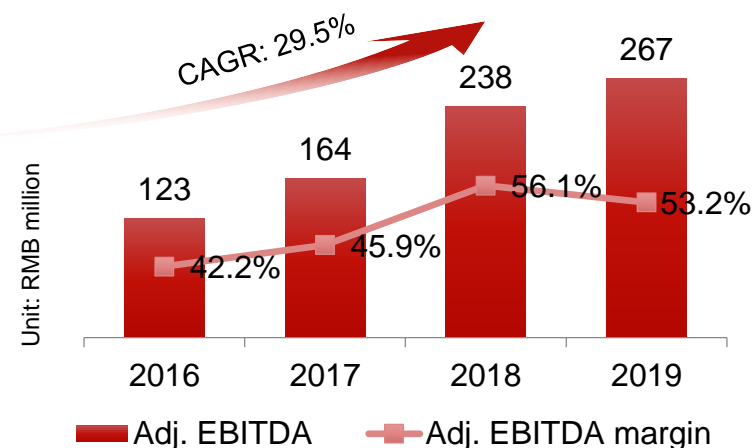
## Gross profit and gross margin



## Adj. net profit and net margin<sup>1</sup>



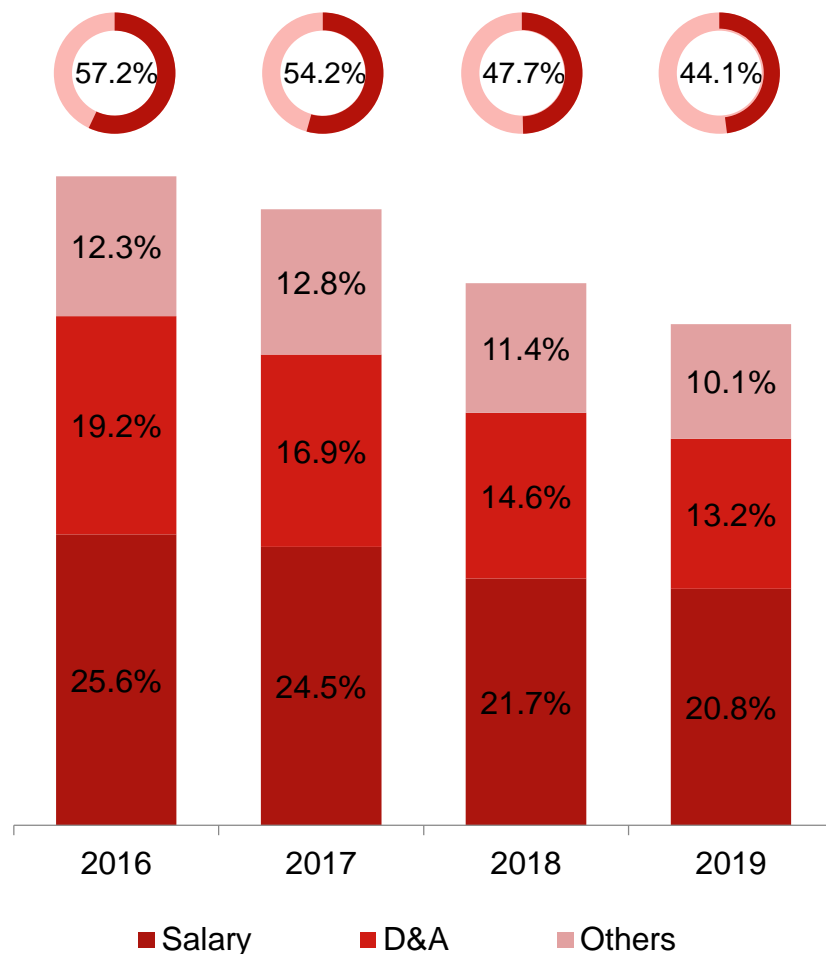
## Adj. EBITDA and EBITDA margin<sup>2</sup>



Note: 1) Adj. net profit = net profit + listing expenses; 2) Adj. EBITDA = Profit before tax + finance charge + depreciation and amortization + listing expenses

# Large room for decrease in cost and expense as percentage of revenue

## Costs breakdown and gross margin



### Salary as percentage of revenue

Teacher-to-student ratio of our Company in the 2019/20 school year is 1:15.9.

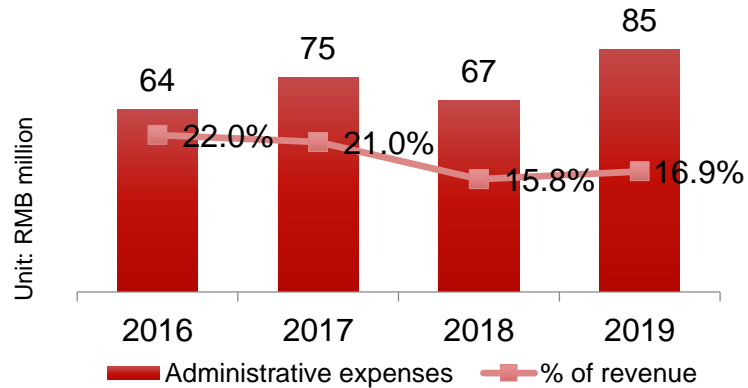


### D&A as percentage of revenue

A one-off investment of over RMB2.4 billion for construction works was made due to the move into Lin-gang University area in 2015. Since then, fixed asset increments tended to be stable gradually.

# Large room for decrease in cost and expense as percentage of revenue (cont'd)

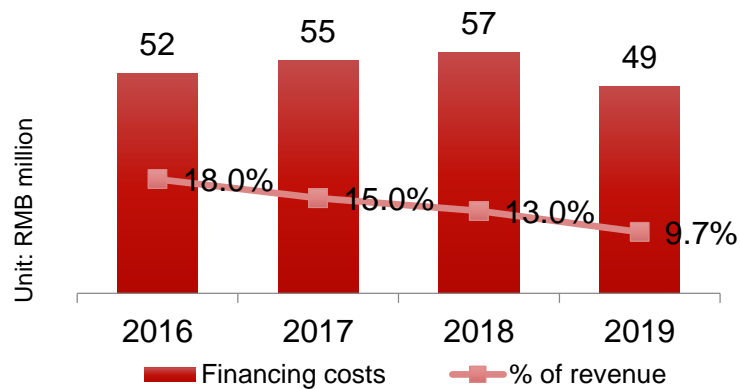
## Decreasing administrative expense as % of revenue<sup>1</sup>



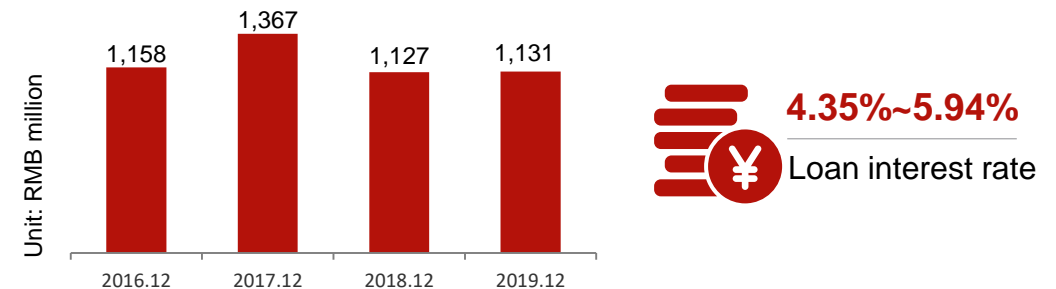
The increase in the proportion of administrative expenses after eliminating listing expenses in 2019 is mainly due to:

- the increased staff costs, as a result of the combined effect of increased headcount of administrative staff and the increased salaries and benefits payable to them
- the increase in professional service expenses

## Decreasing finance costs



## Balance of interest-bearing bank and other borrowings

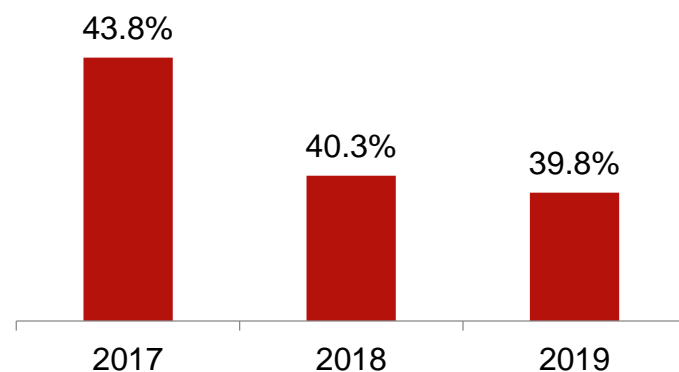


Completion of construction

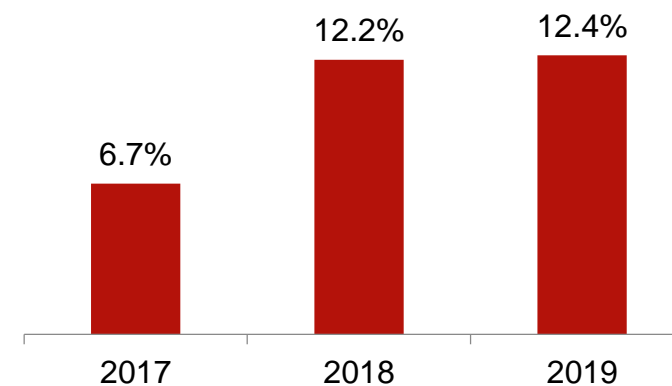
Proceeds speed up loan repayment

Note: 1) Administrative expenses adding back listing expenses;

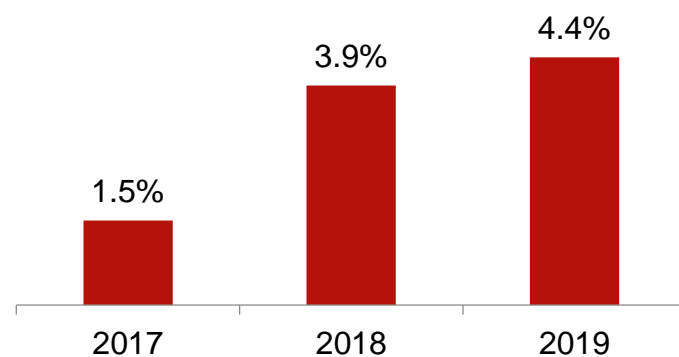
### Total debt to assets ratio<sup>1</sup>



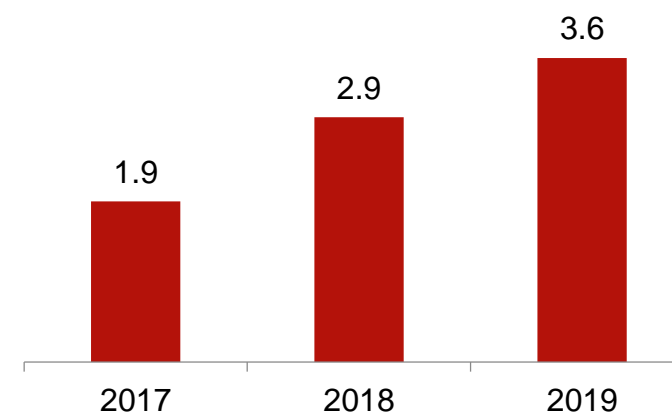
### Return on equity<sup>2</sup>



### Return on assets<sup>3</sup>



### Interest coverage ratio<sup>4</sup>



• Note: 1) Total debt to assets ratio equals total interest-bearing bank and other borrowings at the end of the year divided by total assets at the end of the year; 2) Return on equity equals net profit for the year divided by total equity amounts as at the end of the year; 3) Return on assets equals net profit for the year divided by total assets as at the end of the year; 4) Interest coverage ratio equals profit before interest and tax of one year divided by finance cost of the same year.

# Appendix

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# Summary of financial data

## Statements of profit and loss

Year ended 31 December

	2018	2019
	(RMB'000)	(RMB'000)
Revenue	424,587	501,442
Cost of sales	(202,372)	(221,529)
Gross profit	222,215	279,913
Other income and gains	24,428	9,191
Selling and distribution expenses	(3,040)	(3,570)
Administrative expenses	(75,086)	(109,894)
Impairment losses on financial assets	(180)	(464)
Finance costs	(57,207)	(48,721)
Other expenses	(957)	(170)
<b>Profit before tax</b>	<b>110,173</b>	<b>126,285</b>
Income Tax expense	(1,598)	(865)
<b>Profit for the year</b>	<b>108,575</b>	<b>125,420</b>

# Summary of financial data (cont'd)

上海建橋教育集團有限公司

SHANGHAI GENCH EDUCATION GROUP LIMITED

## Consolidated balance sheet

	Year ended 31 December	
	2018 (RMB'000)	2019 (RMB'000)
<b>Non-current assets</b>		
Property, plant and equipment	1,651,527	1,820,421
<b>Total non-current assets</b>	<b>2,324,304</b>	<b>2,490,866</b>
<b>Current assets</b>		
Cash and cash equivalents	442,078	334,867
<b>Total current assets</b>	<b>470,323</b>	<b>348,858</b>
<b>Current Liabilities</b>		
Interest-bearing bank and other borrowings	175,400	275,000
Tax payables	260,108	307,208
Total current liabilities	720,346	943,147
Net current liabilities	(250,023)	(594,289)
<b>Total assets less current liabilities</b>	<b>2,074,281</b>	<b>1,896,577</b>
<b>Non-current liabilities</b>		
Interest-bearing bank and other borrowings	951,280	856,280
<b>Total non-current liabilities</b>	<b>1,184,389</b>	<b>881,602</b>
<b>Net assets</b>	<b>889,892</b>	<b>1,014,975</b>
<b>Equity</b>		
Share capital		
Reserves	889,892	1,014,975
<b>Total equity</b>	<b>889,892</b>	<b>1,014,975</b>



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SHANGHAI GENCH EDUCATION GROUP LIMITED

為學生建成才之橋  
為教師建立業之橋  
為社會建育人之橋

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二〇一六年六月



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